



Project ARRIBA Audit Report

Issued by the
Internal Audit Office
September 18, 2008

EXECUTIVE SUMMARY

The Internal Audit Office has concluded its audit of Project ARRIBA. Based on the results of the audit, five findings were identified to indicate that improvements are needed in order to be in compliance with the grant agreement documented in the contract dated October 2, 2007. Five of these findings are considered significant in nature. One of the findings is related to the Economic Development Department and the remaining four findings are related to Project ARRIBA.

Listed below is the summary of the one (1) significant finding identified in this report for the Economic Development Department.

1. There is a lack of policies and procedures related to contract monitoring and administration, resulting in a lack of monitoring for contract compliance.

Listed below are the remaining four (4) significant findings identified in this report related to Project ARRIBA.

2. Project ARRIBA has not complied with the reporting requirement outlined in the Statement of Work Section 7.2 and 7.2.2 of the contract, that a cumulative Participant Summary Report be submitted on a quarterly basis.
3. Project ARRIBA did not submit all of the support documentation to the Economic Development Department, as required by Part I. Section B.2. of the contract, for September 2007 expenses included in the reimbursement request. However, all of the support documentation was maintained at Project ARRIBA and was provided upon request.
4. There are possible non-compliance issues related to the contract stipulation noted in Part 1. Section E., that services provided be exclusively non-religious in nature and scope.
 - The Project ARRIBA application contains a field which asks applicant to list the Parish that they attend.
 - Participants were required to attend an EPISO (El Paso Interreligious Sponsoring Organization) Accountability Session.
 - Participants were encouraged to attend a Border Interfaith Issues Forum.
5. Performance measure was not met for the “Bridges to Success”, ESL (English as a Second Language) to Living Wage component of the program as required by the Statement of Work Section 6.3 of the contract. Only six out of the 20 required participants (30%) were enrolled.

For a detailed explanation of each of the findings please refer to the appropriate finding contained in the body of this Audit Report.

BACKGROUND

Project ARRIBA, founded in 1998, is an El Paso-based not-for-profit economic and workforce development organization. Project ARRIBA's mission is to provide long-term high skilled training and case management services to eligible El Paso residents who require the occupational skills necessary to access jobs in hard-to-fill demand occupations that pay a living wage of at least \$11.00 per hour, with benefits and a career path.

Project Arriba has four major goals:

- I. To demonstrate that an employer-driven delivery system will increase the number of quality job opportunities for program participants.
- II. To demonstrate that a truly excellent job training program will provide workers with the skills they need for long-term employment and higher incomes.
- III. To demonstrate that an individual approach can be more cost-effective than traditional, institution-based approaches to service delivery.
- IV. To demonstrate that a better skilled, and more productive, workforce will enhance the economic growth and vitality of El Paso.

In order to achieve its goals, Project ARRIBA has identified specific in-demand occupations needed by local employers, which include nursing and health-related areas, education, and information technology. Project ARRIBA defines the skills required to succeed in these occupations, then recruits, trains and develops participants so that they are qualified and ready to fill employers' needs for skilled workers.

In addition, Project ARRIBA has started the English as a Second Language (ESL) to Living Wage pilot program. This program provides a streamlined process to transition ESL students attending El Paso Community College who want to go on to a college degree program or licensed certification program that is sponsored by Project ARRIBA.

Project ARRIBA receives funding from private organizations and county, city and state agencies, with the purpose of creating a permanent and sustainable source of nurses, teachers and information technologists to address shortages in the El Paso region. The City of El Paso, through the Economic Development Department, has provided Project ARRIBA grant awards in the following amounts:

- FY 2006 - \$ 75,000
- FY 2007 - \$225,000
- FY 2008 - \$250,000
- FY 2009 - \$275,000

During FY 2008, Project ARRIBA assisted a total of 356 City of El Paso Participants in their pursuit of obtaining a college degree, of which 80 graduated and 61 were job placed in careers that pay well over the \$11.00 per hour living wage.

The audit of Project ARRIBA was scheduled at the request of the Legislative Review Committee for Fiscal Affairs, Management Support, and Internal Audit.

SCOPE AND METHODOLOGY

The audit objectives were to conduct audit work to ascertain if Project ARRIBA is:

1. Meeting performance measures as outlined in the contract with the City of El Paso.
2. Adhering to compliance and regulatory provisions in the contract with the City of El Paso.

The audit consisted of interviews with Project ARRIBA management and Economic Development Department management. A review was conducted of the Project ARRIBA contract, participant files, documents, reports, data and website. A review of reimbursement requests and supporting documentation was also conducted.

The audit period covered Fiscal Year 2007 – 2008.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

***SIGNIFICANT FINDINGS, RECOMMENDATIONS,
AND MANAGEMENT’S RESPONSES***

The definition of a significant finding is one that has a material effect on the City of El Paso’s financial statements, identifies an internal control breakdown, a violation of a City procedure, law and/or regulation, which the City is required to follow. Any finding not meeting these criteria will be classified as an “Other Finding”.

Finding 1

Contract Monitoring

The Economic Development Department is responsible for monitoring the contract with Project ARRIBA, dated October 2, 2007, to ensure that all contract requirements are met. During the audit we found that there are deficiencies related to contract monitoring:

- The Economic Development Department does not have policies and procedures in place related to contract monitoring.
- There is a lack of monitoring for contract compliance:
 - A thorough review is not performed to ensure that Project ARRIBA submits all required reports and supporting documentation for expenses included in reimbursement requests.
 - A periodic review of Project ARRIBA files is not performed to verify the accuracy of the data included in Project ARRIBA’s reports.

Recommendation

The Economic Development Department should:

- Develop policies and procedures related to contract monitoring.
- Monitor for contract compliance by:
 - Performing thorough reviews to ensure that all required reports and support documentation are submitted.
 - Performing periodic reviews of Project ARRIBA files to verify the accuracy of data included in Project ARRIBA’s reports.

Economic Development Department Management's Response

The Economic Development Department is working to address this finding by putting the following into place:

1. Policy & Procedures Manual for contract monitoring
2. One staff person dedicated ½ time to contract compliance
3. Annual meetings with all contract awardees to explain our policy and procedures and to review contract requirements
4. A thorough annual review will be performed on all contracts
5. Periodic reviews of Project ARRIBA and other contract awardees' files to verify accuracy of the data included in their reports

Responsible Party

Kathy Dodson, Director, Economic Development Department

Implementation Date

December 31, 2008

Finding 2

Reporting Compliance

Project ARRIBA has not complied with the following reporting requirement outlined in the Statement of Work Section 7.2 and 7.2.2 of the contract dated October 2, 2007:

- A quarterly, cumulative Participant Summary Report has not been submitted.

However, Project ARRIBA does have the capability to prepare this report and has made arrangements to submit the past due reports along with the final report due in November 2008.

Recommendation

Project ARRIBA should comply with all reporting requirements outlined in the contract.

Finding 3

Support Documentation

Project ARRIBA did not submit all of the support documentation for expenses included in reimbursement requests as required by Part I. Section B.2. of the contract dated October 2, 2007.

A review of the support documentation submitted to Economic Development Department for September 2007 expenses was performed. The following are the results of our review:

- 26 out of 27 line items (96%) listed in the Project ARRIBA Income Statement submitted with the reimbursement request invoice, did not have adequate support documentation in the form of receipts, invoices, or allocation worksheets.

However, all of the support documentation was maintained on file at Project ARRIBA and was provided upon request.

Recommendation

Project ARRIBA should submit support documentation for all reimbursement requests.

Finding 4

Non- Religious Activities

There are possible non-compliance issues related to the contract stipulation in Part I. Section E. of the contract dated October 2, 2007, which requires that services provided be exclusively non-religious in nature and scope:

- The Project ARRIBA Application contains a field which asks the applicant which Parish they attend.
- Participants were required to attend an El Paso Interreligious Sponsoring Organization (EPISO) Accountability Session held on February 17, 2008, which counted as their monthly Vision, Initiative and Perseverance (VIP) meeting. As a condition of sponsorship, participants are required to attend monthly VIP meetings where speakers provide the essential "life skills" needed for today's job market to include: proper resume writing, appropriate interviewing skills, critical thinking workshops, professionalism, dressing for success and others.
- Participants were encouraged to attend a Border Interfaith Issues Forum held on April 26, 2007 as listed on the *What's New* page on the Project ARRIBA website.

Recommendation

Project ARRIBA should ensure that services provided are exclusively non-religious in nature and scope.

Finding 5

Performance Measures Compliance

Project ARRIBA has not met the following performance measures outlined in the Statement of Work Section 6.3 of the contract dated October 2, 2007:

- 20 participants are required to be enrolled in the "Bridges to Success", ESL (English as a Second Language) to Living Wage component of the program. However, only six out of the 20 required participants (30%) are currently enrolled.

Recommendation

Project ARRIBA should ensure that they enroll 20 participants in the ESL to Living Wage component of the program in order to meet the performance measure.

INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may deteriorate.

CONCLUSION

Based on the results of this audit, we have concluded that Project ARRIBA has generally complied with the contract provisions and has met a majority of the performance measures. However, there are some areas that need improvement regarding the contract between the City of El Paso – Economic Development Department and Project ARRIBA.

- The Economic Development Department should:
 - Develop policies and procedures for contract monitoring.
 - Perform reviews to ensure contract compliance and to verify the accuracy of the data included in submitted reports.
- Project ARRIBA should:
 - Submit all required reports and support documentation with all reimbursement requests.
 - Ensure that all services provided are non-religious in nature.
 - Ensure that all performance measures are met.

The implementation of the recommendations provided in this Audit Report should assist Project ARRIBA in meeting performance measures to comply with contract provisions. In addition, this should also assist the Economic Development Department in making improvements that will ensure that an effective contract monitoring process is in place.

We wish to thank the Project ARRIBA and Economic Development Department management and staff for their assistance and courtesies throughout this audit.

Signature on file
Edmundo S. Calderon, CIA, CGAP, MBA
Chief Internal Auditor

Signature on file
Christine L. Esqueda, CIA, CGAP
Senior Auditor

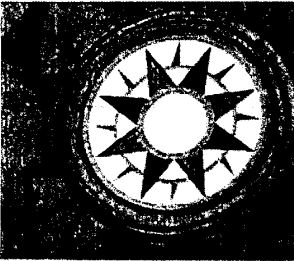
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Project ARRIBA's Responses to the Audit Report

Received by the
Internal Audit Office
October 21, 2008



Project ARRIBA

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October 21, 2008

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VIA: Hand Delivery & E-Mail

RE: Project ARRIBA Response to City Audit of 2007-2008 City Economic Development Contract

Dear Mr. Calderon,

First, Project ARRIBA would like to thank you and your staff for your time and effort to conduct a thorough and diligent audit of Project ARRIBA's operations as they pertain to the City of El Paso's Economic Development contract with Project ARRIBA. Project ARRIBA appreciates you and your staff taking the necessary steps to plan and execute a conscientious review of our operations.

Based on the draft audit report presented to Project ARRIBA on October 7, 2008 we understand that there were five significant findings, one related to the City's Economic Development Department (Finding 1) and four related to Project ARRIBA (Findings 2-5).

Finding 2

Finding number two of the audit report, the first Project ARRIBA finding, indicates that Project ARRIBA did not provide quarterly, cumulative Participant Summary Reports as outlined in the Statement of Work Section 7.2 of the contract.

- While these quarterly detailed participant reports were not initially provided, they were provided on September 20, 2008 when this finding was brought to Project ARRIBA's attention.
- Throughout the contract period, Project ARRIBA provided monthly Participant information as requested by the City's Economic Development Department which in turn established a protocol that Project ARRIBA thought was supposed to provide.
- Additionally, in discussion with the City's Economic Development Department it was decided that the scope of information used on these quarterly reports was not necessary. Therefore the department has removed the provision to provide these quarterly reports from the 2008/2009 contract.

Finding 3

Finding number three of the audit report indicates that Project ARRIBA did not send all of the required supporting invoices for the September 2007 request for payment.

- Project ARRIBA provided all requested supporting invoices for every month, as noted in the City Auditor's report, except September, 2007, per the Report. As noted, though, all the supporting documentation was maintained on file at Project ARRIBA and was provided upon request for September 2007. Because the City pays only upon receipt of all supporting documentation, and Project ARRIBA did receive timely payment upon submission of the September 2007 request for payment it seems unlikely that the submission was not made. However, since the City was not able to document it the finding was noted.
- Project ARRIBA has reiterated to its staff the importance of properly preparing all documentation, has retrained all staff responsible for preparing funding requests, and has added a layer of review for future funding requests.
- Project ARRIBA regards this finding as an anomaly that will not be repeated given its documented practices and processes.

Finding 4

Finding number four of the audit report indicates that there are possible non-compliance issues related to the contract stipulation in Part I. Section E of the contract entitled Non-Religious Activities. This section specifically states, "The GRANTEE (Project ARRIBA) will provide all services under this contract in a manner that is exclusively non-religious in nature and scope. There shall be no religious services, proselytizing, instruction, or any other religious preference, influence, or discrimination in connection with providing the services hereunder."

- The first possible issue noted in the audit report indicates that Project ARRIBA's application contains a field which asks the applicant which Parish they attend. This is used solely for demographic purposes only to better serve the El Paso Community.
 - The majority of all Project ARRIBA participants sponsored in the last 10 years, (59% or 759 of the 1,285 Project ARRIBA participants served) did not fill out this question at all. Orientation sessions are often held outside the Project ARRIBA main offices to include community agencies, businesses and/or churches to include Parishes but as always are open to the public. There is no requirement that any Participant attends or be a member of a Parish.
 - Project ARRIBA is an adherent to EEO standards and policies and its application includes the following statement, "Project ARRIBA prohibits discrimination against applicants, participants and employees on the basis of race, color, sex, religion, national origin, age, disability, sexual orientation, or any other legally protected characteristic."
- The second possible issue under finding four states that Project ARRIBA Participant's were required to attend an El Paso Interreligious Sponsoring Organization (EPISO) Accountability Session as part of a monthly Participant Vision, Initiative and Perseverance (VIP) meeting.
 - Participants were not required to attend the accountability session as noted in the finding. It is important to note that all participants may elect to attend these

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- sessions which in turn, should they elect to attend would be considered a VIP meeting, but in no way is any participant required to attend nor is there any consequence to an election not to attend. .
- The monthly VIP meetings hosted by Project ARRIBA are intended to provide and enhance “life skills” such as resume writing, interviewing and dressing for success. The meetings are also intended to support and expand on lessons learned at their college or university as well as engage our participants in the democratic process.
 - The EPISO Accountability Session do not include a religious activity of any kind or nature to include, but not be limited to, religious service, any form of proselytizing or any other religious activity that is prohibited under the Non-Religious Activities section of the contract.
 - The EPISO Accountability Sessions are non-partisan, open to the public and open to all candidates running for office. They are informational forums.
 - The last possible issue under finding four states, “Participants were encouraged to attend a Border Interfaith Issues Forum.”
 - EPISO and Border Interfaith are both local affiliates of the Industrial Areas Foundation, a 501(c)4 non profit organization. A Border Interfaith Issues Forum is the same as an EPISO Accountability Session. The same points made about the nature and purpose of the EPISO Accountability Sessions apply to the Border Interfaith Issues Forum and the same limitations concerning the lack of religious activities as previously described and the lack of requirement to attend either type of Forum by Participants is equally applicable.
 - There were no activities conducted at this forum that would violate the non-religious activities section.
 - The “no religious” clauses and the “no political and lobbying” clauses have been included in Project ARRIBA’s local, state and federal contracts for over ten years. Over the same ten years, Project ARRIBA has been audited by local, state and federal agencies and has consistently been found to be in compliance with these clauses. Additionally, for ten years Project ARRIBA has engaged an independent CPA firm to conduct annual audits of its financial statements and has received unqualified opinions for each audit.

Finding 5

Finding number five of the audit report indicates that Project ARRIBA’s performance measure was not met for the “Bridges to Success”, ESL (English as a Second Language) to Living Wage component of the program as required by the Statement of Work Section 6.3 of the contract. The finding stated that only six of the twenty required participants (30%) were enrolled.

- The idea for the “Bridges to Success” pilot program came about from years of discussions between elected officials, Project ARRIBA Directors, and members of the community about the need to connect ESL students to career training.
- The goal of the “Bridges to Success” pilot program is to connect ESL students and channel them into the Project ARRIBA workforce training program.
- Project ARRIBA did not use Economic Development funding for the “Bridges to Success” pilot program, but instead utilized funding from other sources to support the program.

- At the end of the contract period 2007-08, eight individuals (40%) were enrolled in the "Bridges to Success" pilot program. Project ARRIBA hired a facilitator with experience and contacts in the ESL field at EPCC in order to put forward our best effort to reach this population. Over 500 contacts were made in the community during the contract year to inform people about the program and, in that process Project ARRIBA learned of the added barriers this population has accessing college preparation.
 - The barriers Project ARRIBA identified were that a majority of interested individuals learning English did not fulfill all our organization's basic criteria of having a high school diploma/GED, legal citizenship/residency in the United States, income within our guidelines, or interest in one of our sponsored careers.
 - Other interested applicants did not test at the 3-6 level of ESL.
 - Project ARRIBA is still very committed to the future success of the "Bridges to Success" pilot program and will continue to serve this population in the 2008-09 contract year by identifying more successful outreach methods and reaching the goal of serving 20 participants.

Project ARRIBA takes the City Audit Department's findings seriously and has taken the necessary corrective actions and where necessary implemented new training and procedures where that is appropriate.

The City's Audit Report states that "Project ARRIBA has generally complied with the contract provisions and has met a majority of the performance measures." We have responded to the findings noted by the City's Audit and believe that they confirm this conclusion. We recognize that these findings are intended to provide a means to enhance the relationship between the City and Project ARRIBA and we have made every effort to respond in a manner that reflects this objective.

Project ARRIBA is committed to working with the City of El Paso to provide El Pasoans with the training and skills necessary to succeed in targeted hard-to-fill demand occupations in El Paso. The impacts and success of our program are well documented and we value the ongoing relationship with the City in being able to positively improve the Economic Development opportunities that living wage employment produces for our citizens.

Respectfully,



Roman Ortiz
Chief Executive Officer